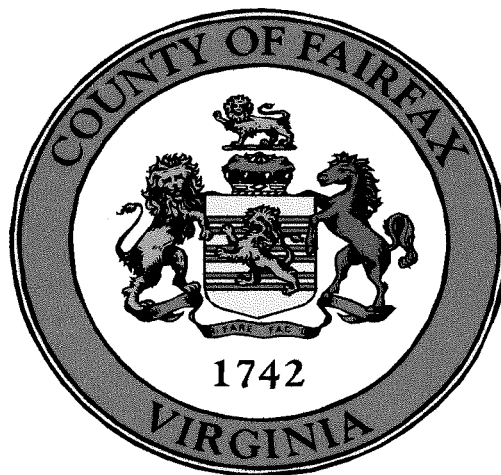


**REPORT TO THE BOARD OF SUPERVISORS
FAIRFAX COUNTY, VIRGINIA**

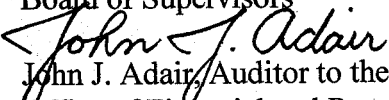
**QUARTERLY STATUS REPORT ON OPERATIONS
AS OF SEPTEMBER 9, 2003**



OFFICE OF FINANCIAL AND PROGRAMS AUDITOR

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Board of Supervisors
FROM:  John J. Adair, Auditor to the Board
Office of Financial and Programs Auditor
DATE: September 9, 2003
SUBJECT: Quarterly Status Report on Operations

EXECUTIVE SUMMARY

The County's Transportation Department will be receiving \$1,659,676 for its Roadway Improvement Fund as a result of our continuing review of proffers and future construction escrows received from developers.

The money, collected over a period of years, was being held in escrow as future construction money. However, research conducted by Transportation Department and Department of Public Works and Environmental Services staff determined that the money should have been placed in the Roadway Improvement Fund when it was received.

Staffs from the two Departments have developed an approach to handling future deposits of developer funds that will help ensure that the deposits will be appropriately placed into the Transportation Department's Roadway Improvement Fund, or into the future construction account, based on the proffer language.

We began a review of the operations of the Reston Community Center at the request of our Audit Committee. A separate report on the Center's operations will be issued this month.

We monitored responses to letters sent by Board Supervisors to Homeowner Associations telling them they are entitled to \$343,000 in proffered money we found being held by the County for the Associations. The Lee Overlook Association was paid \$10,660 this quarter, bringing the total paid thus far to 4 Homeowner Associations to \$51,735.

Our continuing review of how Fairfax County assesses real estate focused this quarter on citizen's appeals of assessments to the Board of Equalization of Real Estate Assessments.

In the cash management area, County Departments continued to expedite grant reimbursement requests providing \$7.35 million in additional dollars for County investment. However, overdue receivables, (over 120 days old) increased by \$787,577 from April 30 to July 31, 2003.

FUTURE CONSTRUCTION ESCROWS

At the request of the Audit Committee, we continued working with the Department of Public Works and Environmental Services staff on Future Construction escrows.

Departmental staff establishes Future Construction escrows when they receive amounts from developers representing their share of specific construction projects to take place at some time in the future.

Funds escrowed for specific projects are to be provided to developers or other County offices to help offset the cost of these specific construction projects when they are undertaken. There is about \$12 million in the Future Construction escrows account.

Last quarter we noted that some of the future construction escrows appeared to be proffers. Those which are proffers should be transferred to the appropriate County Departments, rather than being held as future construction escrows for developers.

Results of Review of Future Construction Escrows

This Quarter, staff completed research on the questionable future construction escrows. Staff found that 27 future construction escrows were actually proffers for such things as road improvements, traffic signals, including pedestrian signals, bus shelters, traffic calming, and pedestrian crosswalks on public streets. The money proffered for such improvements belongs to the County. Money for the 27 escrows, totaling \$1,659,676, will be transferred to the County's Department of Transportation to be put into the Department's Contributed Roadway Improvement Fund.

Appendix I is a July 7, 2003 memo from the Chief of the Site Analysis Section, Department of Transportation, to the Chief, Plan and Document Control, of the Office of Site Development Services, Department of Public Works and Environmental Services that lists 15 future construction escrows totaling \$656,644 that will be transferred to the Contributed Roadway Improvement Fund.

Appendix II is an August 1, 2003 memo that lists 12 additional projects and amounts totaling \$1,003,032 that also will be transferred to the Contributed Roadway Improvement Fund.

The July 7, 2003, memo also provides a general rule of thumb to be followed when deposits are received that will help staff determine whether the funds should be deposited as future construction amounts, or should be deposited into the Department of Transportation's Contributed Roadway Improvement Fund.

We will continue to work with Department staff in researching other escrow amounts that may actually be proffers belonging to the County, and will include any that are determined to be proffers in future quarterly reports.

REVIEW OF THE RESTON COMMUNITY CENTER'S OPERATIONS

At its June 2, 2003 meeting, the Board of Supervisors approved a motion that the Office of the Auditor to the Board review the fiscal policies and practices of the Reston Community Center (RCC) and expeditiously report its findings to the Board.

The review was requested after the RCC Executive Director shut down two teen programs two months before the end of Fiscal Year 2003 because there was no money in the Teen Department budget to continue the programs.

Subsequently, one of the two programs was restarted with money from elsewhere within the RCC, and the participants in the other program were able to attend the Reston Teen Center until the new Fiscal Year began in July 2003.

During this quarter, we met with, among others, the RCC Executive Director, his Deputy Director, the Comptroller, the Director of the Teen Program, and the Chairman of RCC's Board of Governors. We also reviewed RCC's budgets and other financial records for Fiscal Year 2003 and prior years, and the minutes of RCC's Board of Governors' meetings.

The results of our review will be provided in a separate report to be issued in September 2003.

HOMEOWNER ASSOCIATION CASH PROFFERS

A cash proffer is a written voluntary offer of money, submitted as part of a rezoning application and accepted by a locality upon approval of the rezoning. Cash proffers may address various issues, such as offsetting or mitigating the impact of a particular development on public facilities and services.

After it was found that the County had money in a "General" proffer account that was being held for Homeowner Associations, County staff wrote to the Supervisors of the County's Magisterial Districts providing them with information regarding these proffers, which totaled \$343,206. The Supervisors then advised the 29 Homeowner Associations in their Districts of the proffers and what the Associations had to do in order to be eligible to obtain the proffered money.

The Associations were asked to facilitate the release of the proffered funds by providing the County with information, such as a plan or permit for the facilities mentioned in the

proffers, a copy of a construction cost estimate or an itemized receipt for materials and labor, or photographic evidence that the facilities have been constructed.

This quarter, the County received a request for, and released, proffer funds totaling \$10,660 to the Lee Overlook Homeowner Association for expanded recreation facilities within Lee Overlook. This brings the total released to 4 Homeowner Associations from the General proffer account to \$51,735.

We will continue to monitor and report on the Homeowner Association requests in future quarterly status reports.

REVIEW OF REAL ESTATE ASSESSMENT PROCESS

We continued our review of the process used by County officials to assess the value of residential real estate for tax purposes. Our previous report had stated that the increases in real estate assessments for 2003 were in line with the percentage increases in the surrounding Northern Virginia Counties.

However, since a mass appraisal system is used by the County to assess residential units, there are always some assessments that need adjustment.

The County has procedures that allow Fairfax County taxpayers to compare their assessments to other properties, view recent sales in their assessment neighborhood, and to appeal the assessments of their residences if they believe them to be incorrect.

The County suggests that taxpayers consider whether their property is assessed uniformly with other similar properties and if it could be sold for the assessed value. If taxpayers believe that their assessment is not uniform with similar properties or that they could not sell their property for an amount reasonably equal to the 2003 assessment, they may wish to file an appeal.

Taxpayers may request formal reconsideration of their assessment by the Department of Tax Administration. Taxpayers also may file an appeal with the Board of Equalization of Real Estate Assessments. The Board of Equalization's appeal deadline for this year's assessments was June 2, 2003.

The Board of Equalization

The Board of Equalization is an independent body, and not part of the County's Department of Tax Administration. Members of the Board of Equalization are Fairfax County property owners who have been appointed by the County's Board of Supervisors.

By resolution of the County's Board of Supervisors, the Board of Equalization is generally comprised of three citizens, two attorneys, one person with a financial

background, two real estate appraisers, and one builder. The members serve in two year staggered terms with the Chairman and Secretary of the Board elected annually by the members of the Board of Equalization.

The statutes of the Commonwealth of Virginia define the responsibilities, duties and limits of power of the Board of Equalization. Virginia law presumes that an assessment made by the Department of Tax Administration is correct unless it can be proven that the assessor committed a manifest error or totally disregarded controlling evidence available to the Department of Tax Administration prior to the time of the making of the assessment.

If it is proven that an assessment is in error, the Board of Equalization will determine whatever correction must be made and will order the Department of Tax Administration to make the appropriate change. The Board may raise, lower or affirm any real estate property assessment in order to ensure the equitable distribution of the tax burden among all citizens of Fairfax County.

The Board of Equalization may only hear complaints regarding the current tax year assessment.

Appeals to the Board of Equalization of Real Estate Assessments

In Fiscal Year 2002, the Board of Equalization received 291 appeals involving 361 parcels from owners of residential property. Of that number, 36 parcels were reduced by a total of \$722,300, an average reduction of \$20,063.

Two appeals to the Board of Equalization resulted in increases to the valuation of the real estate valuations that had been appealed. The increases totaled \$84,000.

During this quarter, we attended a Board of Equalization meeting for tax year 2003 to observe the process used to arrive at decisions regarding the Department of Tax Administration's real estate assessments.

At the meeting, the Board of Equalization convened as two separate panels. One panel had three members, which is the minimum required for a quorum, and the other had five members. We observed as four citizens requested reductions of their property assessments.

The Board of Equalization's panels followed a procedure whereby each appellant was given 10 minutes to present their case, the Department of Tax Administration had 10 minutes to respond, and the appellant had 5 minutes for rebuttal. Questions were asked of the appellant and the County's appraisers, and material regarding the appraisal that had been provided to the panels prior to the meeting was referenced during the meeting.

At the conclusion of the presentations, and question and answer period, the panels discussed the evidence, and a motion, second, and vote occurred regarding the resolution of the appeal.

The panels unanimously upheld the County's assessment in two of the cases. A third case resulted in a split vote, 4 to 1, in favor of the County's assessment. Since the panel's decision was not unanimous, the citizen can request that the full Board of Equalization review the appeal.

The fourth appeal resulted in a reduction of the assessed property value. This case involved a property that was constructed using synthetic stucco which had resulted in considerable water intrusion. The County's appraisers had recognized that the damaged property would require an estimated \$500,000 in repairs before it could be sold, and reduced the value of the appraisal to \$773,980, consisting of \$376,000 for land and \$397,980 for improvements. The decision of the Board of Equalization was to reduce the valuation to \$476,000, consisting of \$376,000 for land and \$100,000 for improvements.

In each of the four cases, it appeared to us that the Board of Equalization acted impartially, giving the appellant the opportunity to show why their property assessment should be reduced, and to explain why they believed that the assessor committed a manifest error or totally disregarded controlling evidence available to the Department of Tax Administration prior to the time of the making of the assessment.

During the next quarter, we intend to review the coordination between the Permits Branch of the Department of Public Works and Environmental Services and the Department of Tax Administration to ensure that assessments are updated timely to reflect improvements made by homeowners. We also will review the plans for the Department of Tax Administration's new computer system, which will become operational early in 2004, to determine the improvements in the Department's operations envisioned under the new system.

EXPEDITED GRANT REIMBURSEMENTS CONTINUE

We monitor grant reimbursement requests made by three County Departments at the request of our Audit Committee. Timelier grant reimbursement requests made over the past three years have provided millions of additional dollars for the County to invest in its Pooled Cash Management Program, increasing interest income by a substantial amount.

Appendixes III, IV, and V show that the three Departments – the Department of Housing and Community Development, the Police Department and the Fire and Rescue Department – have reduced their negative cash balances (which result from not drawing reimbursements timely) from \$9.1 million to about \$1.75 million. Together, the three Departments have increased the amount of cash the County has available to invest by about \$7.35 million.

The Department of Housing and Community Development has improved its negative cash balances by about \$4.0 million; the Police Department has improved by about \$1.5 million; and the Fire and Rescue Department has improved by about \$1.8 million.

FINANCE DEPARTMENT'S REPORT ON COUNTY RECEIVABLES

The Department of Finance is now responsible for coordinating the resolution of current and future overdue receivables through its Accounting Operations Division. Our Audit Committee has asked us to monitor the collection of receivables.

Accounts Receivable Changes Between April 30 and July 31, 2003

According to a report from the Finance Department Director, accounts receivable as of the end of July 2003 totaled about \$20.6 million. Receivables over 120 days old totaled about \$3.4 million, or 17% of the total receivables. The "over 120 day" category balance increased by \$787,577 during that 3 month period.

Of the \$3.4 million in receivables over 120 days old, overdue parking tickets accounted for about \$1.3 million, or 39% of the overdue receivables.

Excluding parking tickets, other County Departments had receivables over 120 days of about \$2.1 million. The Commonwealth of Virginia and other governments owes the County about 50% of this amount. County staff is highly confident that these receivables will be collected. Department of Finance staff is working with County agencies to facilitate the collection of the remainder of the receivables over 120 days old.

WORK TO BE PERFORMED DURING THE NEXT QUARTER

During the next quarter, we will continue our reviews of the real estate assessment process and the receipt and expenditure of cash proffers and future construction escrows. We also will monitor the collection of overdue receivables and the timeliness of the Department of Housing and Community Development, Police Department, and Fire and Rescue Department grant expense reimbursement requests.

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Ken Williams, Chief
Plan and Document Control
Office of Site Development Services
Department of Public Works and Environmental Services

FROM: Angela Kadar Rodeheaver, Chief
Site Analysis Section
Department of Transportation

FILE: 5-15-1

SUBJECT: Proffered Contributions Deposited to Future Construction Escrows

DATE: July 7, 2003

As a result of a cursory review of escrowed funds contained in the future construction escrow account, we have identified a number of contributions that should be transferred to Fund 301, Contributed Roadway Improvement Fund, as they were secured through proffered commitments by developers. These are listed on page 2 of this memo. Please facilitate the transfer of these funds to Index Code 8301, Project 9900, at your earliest convenience. If you have any questions regarding transfer of these funds or need additional information, please contact Michael Davis of my staff at 324-1187.

There have been recent verbal discussions with both the Auditor to the Board and your staff pertaining to an approach to handling deposits of developer funds. We have suggested that a general rule of thumb should be that if the proffer language requires a contribution, such as "The Applicant proffers to escrow the full cost of frontage improvements to 'X' Road", the funds should be deposited in Fund 301. Further, if the developer proffered to construct an improvement and later secured approval to escrow funds for the improvement in lieu of construction, these funds should also be deposited in Fund 301.

If the transportation related contribution is secured during the site plan review process independent of a proffer commitment, these funds should be deposited in the future construction escrow account.

The following 'improvements' are considered DOT projects. Any proffered funds deposited for these 'improvements' should be placed in Fund 301.

1. Road improvements, design & acquisitions for road improvements, exclusive of cul-de-sac related escrows
2. Traffic signals, including pedestrian signals
3. Bus shelters & transit related improvements
4. Transportation demand management (TDM/TSM) programs
5. Traffic calming
6. Pedestrian crosswalks on public streets

APPENDIX I


Ken Williams
7, 2003
ge 2

Site Plan #	Zoning Case	Proffer #	Project Name	Amount
7693-SP-35	RZ 87-C-060	8	McNair Farms	\$12,000
9502-SP-01	RZ 1998-SU-007	6	Creekside	\$18,100
Not Cited	RZ 76-C-026	14	Not Cited	\$2,500
7989-SP-03	PCA 92-P-001	III.D:8	Harrison Building	\$36,636
7989-SP-03	PCA 92-P-001	III.D.8	Harrison Building	\$30,028.94
9936-SP-02	RZ 00-DR-047	4A	Nicole Marie Ct. Sbd.	\$19,159
6877-SP-07	PCA 81-S-079		Chantilly Auto Body	\$9,018
8921-SP-02	RZ 99-PR-060	5	River Towers	\$50,200
6178-SP-57	Not Cited	9	Westfields, Parcel 21	\$36,800
0012-SD-01	RZ 98-SU-042	5 & 10	West Ox Rd Prop.	\$117,700
9828-SD-01	RZ 97-SU-046	4 & 5	Fair Oaks Chase	\$104,450
6753-SP-01	RZ 87-P-007	7	Centreponte	\$30,000
7298-SP-02	RZ 85-S-126	4	Woodway @ Trinity Centre	\$10,952
9415-SD-02	RZ 97-SU-012	6	Fair Lakes Chase	\$169,300
9778-SD-01	RZ 97-SU-047	6	Westbrook, Lots 1-16	\$9,800

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Ken Williams, Chief
Plan and Document Control
Office of Site Development Services
Department of Public Works and Environmental Services

FROM: Angela Kadar Rodeheaver, Chief 
Site Analysis Section
Department of Transportation

FILE: 5-15-1

SUBJECT: Proffered Contributions Deposited to Future Construction Escrows

DATE: August 1, 2003

As a result of additional review of escrowed funds contained in the future construction escrow account, we have identified several other contributions we believe should be transferred to Fund 301, Contributed Roadway Improvement Fund, as they were secured through proffered commitments by developers. These are listed below. Please facilitate the transfer of these funds to Index Code 8301, Project 9900, at your earliest convenience. If you have any questions regarding transfer of these funds or need additional information, please contact Michael Davis of my staff at 324-1187.

<u>Site Plan #</u>	<u>Zoning Case</u>	<u>Proffer #</u>	<u>Project Name</u>	<u>Amount</u>
7656-SP-06	RZ 1998-SU-040	6-A-III	Smith-Carney	\$246,600
7656-SP-06	RZ 1998-SU-040	8	Smith-Carney	\$21,200
4436-SP-06	RZ 1998-SU-025	12-A-III	Wescott Ridge, Sec 3	\$179,000
9782-SP-01	RZ 1997-SU-027	3A, 3B	Fair Oaks Senior Campus	\$334,000
9985-SD-01	RZ 1998-SP-054	3-B-III	Timarron Cove	\$10,000
5914-SD-01	RZ 1998-LE-044	11A	Laurel Creek	\$23,732
4416-SP-01	SE 96-V-055	9 9	Rite Aid	\$11,300
9612-SP-01	RZ 96-S-012	3-B-I	Village Square	\$14,800
9612-SP-01	RZ 96-S-012	3-B-II	Village Square	\$22,500
9223-SD-01	RZ 94-V-002	4	Twinbrook @ Mount Air	\$28,500
3365-SP-02	PCA 85-L-092	6	Hilltop Driving Range	\$64,000
5312-SP-03	RZ 2000-SU-009	2c	Fair Oaks Hill	\$47,400

MAD/AKR

DHCD'S CASH MANAGEMENT PROGRESS

<u>Grant Program</u>	<u>Average End-of-Month Negative Cash Balance During FY 1999</u>	<u>Negative Cash Balance at February 28, 2003</u>	<u>Negative Cash Balance at April 30, 2003</u>	<u>Negative Cash Balance at August 29, 2003</u>	<u>Amount of Improvement or (Regression) Since FY 1999</u>
Community Development Block Grant	\$ 2,421,918	\$ -	\$ -	\$ 1,023,961 (1)	\$ 1,397,957
HOME Investment Partnership Grant	265,047	370,598	20,239	292,686 (1)	(27,639)
Public Housing Under Modernization	289,007	-	-	-	289,007
Fairfax County Rental Program	535,622	-	-	-	535,622
Private Finance Fund	<u>1,871,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,871,222</u>
Totals	<u>\$ 5,382,816</u>	<u>\$ 370,598</u>	<u>\$ 20,239</u>	<u>\$ 1,316,647</u>	<u>\$ 4,066,169</u>

Footnote:

- (1) DHCD staff told us that they have submitted a request for reimbursement to U.S. Department of Housing and Urban Development.

POLICE DEPARTMENT'S CASH MANAGEMENT PROGRESS

<u>Grant Program</u>	<u>Average End-of-Month Negative Cash Balance During CY 1999</u>	<u>Negative Cash Balance at February 28, 2003</u>	<u>Negative Cash Balance at April 30, 2003</u>	<u>Negative Cash Baslance at August 29, 2003</u>	<u>Amount of Improvement or (Regression) Since CY 1999</u>
Local Law Enforcement Block Grant	\$ 65,470	\$ -	\$ -	\$ -	\$ 65,470
COPS More Program	19,817	76,977	76,977	75,142	(55,325)
COPS Universal Hiring Program	1,416,680	2,090,000	-	-	1,416,680
VDOT I-95/395/495 Patrol Augmentation	109,886	190,261	-	52,021	57,865
Totals	<u>\$ 1,611,853</u>	<u>\$ 2,357,238</u>	<u>\$ 76,977</u>	<u>\$ 127,163</u>	<u>\$ 1,484,690</u>

FIRE AND RESCUE DEPARTMENT'S CASH MANAGEMENT PROGRESS

<u>Grant Program</u>	<u>Negative Cash Balance March 3, 2000</u>	<u>Negative Cash Balance at February 28, 2003</u>	<u>Negative Cash Balance at April 30, 2003</u>	<u>Negative Cash Balance at August 29, 2003</u>	<u>Amount of Improvement or (Regression) Since March 2000</u>
FEMA/OFDA Activation	\$ 1,699,173	\$ 53,417	\$ 8,013	\$ -	\$ 1,699,173
Interntional Search and Rescue	127,330	264,382	335,797	311,080 (1)	(183,750)
DOJ Domestic Preparedness	18,357	-	-	-	18,357
VDOT Congestion Management	266,304	-	-	-	266,304
Totals	<u>\$ 2,111,164</u>	<u>\$ 317,799</u>	<u>\$ 343,810</u>	<u>\$ 311,080</u>	<u>\$ 1,800,084</u>

Footnote:

- (1) This grant is being replaced by a new International Search and Rescue grant. The Department is currently in the process of reconciling the old grant account above in preparation for final close-out. The Department expects to submit a final reimbursement request soon to the U.S. Agency for International Development as part of its close-out procedures.